

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 NEA-14 ISO-00 XMB-07 FEA-02

AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00

FPC-01 H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

FRB-03 PA-04 USIA-15 PRS-01 DRC-01 /216 W

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R 180754Z SEP 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 6945

INFO AMEMBASSY BEIRUT

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BUENOS AIRES

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSH TEHERAN

AMCONSUL MILAN

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E.O. 11652: N/A

TAGS: ENRG, EFIN, IT, IR

SUBJECT: LARGE-SCALE PURCHASE OF MOTEDISON SHARES

REF: BUENOS AIRES 6904

1. ITALIAN PRESS OF RECENT DAYS HAS SPECULATED THAT THE SHAH OF IRAN IS BEHIND RECENT ANNOUNCEMENT THAT UNKNOWN PARTIES, OPERATING THROUGH A SWISS BANK BASED IN LUGANO, HAVE QUIETLY ACQUIRED AN 11-13 PERCENT SHARE OF ITALY'S CHEMICAL GIANT MONTEDISON. ALTHOUGH THIS THEORY HAS RECENTLY LOST GROUND IN FAVOR OF STILL MORE BYZANTINE SPECULATIONS, THE ESTIMA-
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TED \$150-160 MILLION NECESSARY TO FINANCE A PURCHASE SUCH

AS THAT DESCRIBED IS NOT EASILY COME BY IN CREDIT-TIGHT ITALY. THIS SUGGESTS AT LEAST THE POSSIBILITY OF NON-ITALIAN FINANCING, ALTHOUGH THE MOTIVES FOR THE PURCHASE SEEM MORE RELATED TO LONG-STANDING ITALIAN POLITICO-INDUSTRIAL FEUDS.

2. IN FACT, THE MOTIVES ARE PARTICULARLY OBSCURE SINCE THE NEWLY-PURCHASED SHARES ARE NOT SUFFICIENT TO GAIN CONTROL OF THE COMPANY. AT PRESENT, MONTEDISON IS GOVERNED BY A SYNDICATE DIVIDED EQUALLY BETWEEN STATE-PARTICIPATION COMPANIES (IRI, ENI) AND PRIVATE STOCKHOLDERS (PIRELLI, FINANCIAL HOLDING COMPANY BAS-TOGI, OTHERS). THE BALANCE-OF-POWER ON THE SYNDICATE IS HELD BY THE GOI-CONTROLLED MEDIUM-TERM FINANCING INSTITUTION IMI. THE SYNDICATE HOLDS 37 PERCENT OF MONTEDISON'S TOTAL SHARES; THE REMAINING 63 PERCENT ARE HELD PRIVATELY, MOSTLY IN SMALL LOTS. IN PRACTIC, CONTROL IS WIELDED BY MONTEDISON PRESIDENT EUGENIO CEFIS, AIDED IN NO SMALL MEASURE BY HIS EXTENSIVE AND INTIMATE CONTACTS WITH IMPORTANT ITALIAN POLITICAL AND ECONOMIC FIGURES. THE SYNDICATE IS NOT KNOWN TO BE SEEKING NEW MEMBERS, AND THE CURRENT SYNDICATE AGREEMENT RUNS UNTIL 1976. ALTHOUGH MONTEDISON WILL PAY A DIVIDEND THIS YEAR, THE RETURN IS NOT HISTORICALLY HIGH ENOUGH TO WARRANT UNDUE INTEREST.

3. WHILE IT SEEMS DUBIOUS THAT THE SHAH OR OTHER PETRODOLLAR HOLDERS ARE INVOLVED, AMEMBASSY ROME WOULD BE INTERESTED IN ANY REPORTS OF SUCH PARTICIPATION.

4. FOR BUENOS AIRES: MONTEDISON IS A SUCCESSOR OF MONTECATINI. VOLPE

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